



NEWS RELEASE

Merck Completes Acquisition of Prometheus Biosciences, Inc.

6/16/2023

Acquisition delivers industry-leading research capability, and strengthens pipeline with a novel candidate for ulcerative colitis, Crohn's disease and other autoimmune conditions

RAHWAY, N.J.--(BUSINESS WIRE)-- Merck (NYSE: MRK), known as MSD outside of the United States and Canada, today announced the completion of the Prometheus Biosciences, Inc. ("Prometheus") (NASDAQ: RXDX) acquisition. Prometheus is now a wholly-owned subsidiary of Merck and the common stock of Prometheus will no longer be listed or traded on the Nasdaq Global Market.

"The Prometheus acquisition accelerates our growing presence in immunology, augments our diverse pipeline and increases our ability to deliver patient value. This transaction is another example of Merck acting strategically and decisively when science and value align," said Robert M. Davis, chairman and chief executive officer, Merck.

"Prometheus brings us a potential best-in-class candidate that creates an opportunity for us to transform treatment for patients with immune-mediated diseases. We are excited to welcome our Prometheus colleagues to Merck and we look forward to working together, driven by our common purpose of saving and improving lives."

Prometheus' leading clinical candidate, PRA-023, which will be known as MK-7240, is a humanized monoclonal antibody (mAb) directed to tumor necrosis factor (TNF)-like ligand 1A (TL1A), a target associated with both intestinal inflammation and fibrosis. It is being developed for the treatment of immune-mediated diseases, including ulcerative colitis (UC), Crohn's disease (CD) and other autoimmune conditions. In December 2022, Prometheus announced positive results for MK-7240 from ARTEMIS-UC, a Phase 2, placebo-controlled study evaluating safety and efficacy in patients with moderate-to-severely active UC and APOLLO-CD, and a Phase 2A, open-label study



evaluating safety and efficacy in patients with moderate-to-severe CD. The findings were recently presented at the **18th Congress of European Crohn's and Colitis Organisation (ECCO)**.

"At Merck we have deep expertise in clinical development with a proven record of implementing precision medicine strategies," said Dr. Dean Y. Li, president of Merck Research Laboratories. "By combining our strengths, Merck and Prometheus are well-positioned to advance MK-7240 and additional pipeline candidates."

Additional Transaction Details

Under the terms of the acquisition agreement, Merck, through a subsidiary, has acquired all outstanding shares of Prometheus for \$200.00 per share in cash for a total equity value of approximately \$10.8 billion. Merck's full-year financial outlook provided during the first-quarter earnings call did not account for the then proposed acquisition of Prometheus or any additional significant potential business development transactions.

As previously disclosed, because this transaction is being accounted for as an asset acquisition, Merck is recording a charge of approximately \$10.3 billion, or approximately \$4.00 per share. The impact of this charge will result in a reduction in both second-quarter and full-year 2023 GAAP and non-GAAP results. In addition, this transaction is expected to negatively impact EPS by approximately \$0.25 in the first 12 months following the close of the transaction due to investment to advance pipeline assets and cost of financing, approximately half of which will be incurred in the second half of 2023.

As a matter of policy, Merck provides updates to its financial outlook once each quarter. When considering Merck's financial outlook issued on April 27, 2023, investors and analysts should deduct the expenses outlined above. Merck will provide an update to its financial outlook when it reports second-quarter 2023 results on August 1.

About Inflammatory Bowel Disease

Inflammatory bowel disease (IBD) is a term used to collectively describe Crohn's disease and ulcerative colitis. These conditions are characterized by chronic inflammation of the gastrointestinal (GI) tract. Prolonged inflammation results in damage to the tissues lining the GI tract. Both ulcerative colitis and Crohn's disease are usually characterized by diarrhea, rectal bleeding, abdominal pain, fatigue and weight loss.

About Merck

Merck, known as MSD outside of the United States and Canada, is unified around our purpose: We use the power of leading-edge science to save and improve lives around the world. For more than 130 years, we have brought hope to humanity through the development of important medicines and vaccines. We aspire to be the premier

research-intensive biopharmaceutical company in the world – and today, we are at the forefront of research to deliver innovative health solutions that advance the prevention and treatment of diseases in people and animals. We foster a diverse and inclusive global workforce and operate responsibly every day to enable a safe, sustainable and healthy future for all people and communities. For more information, visit www.merck.com and connect with us on **Twitter**, **Facebook**, **Instagram**, **YouTube** and **LinkedIn**.

Forward-Looking Statement of Merck & Co., Inc., Rahway, N.J., USA

This news release of Merck & Co., Inc., Rahway, N.J., USA (the “company”) includes “forward-looking statements” within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements are based upon the current beliefs and expectations of the company’s management and are subject to significant risks and uncertainties. There can be no guarantees with respect to pipeline candidates that the candidates will receive the necessary regulatory approvals or that they will prove to be commercially successful. If underlying assumptions prove inaccurate or risks or uncertainties materialize, actual results may differ materially from those set forth in the forward-looking statements.

Risks and uncertainties include but are not limited to, general industry conditions and competition; general economic factors, including interest rate and currency exchange rate fluctuations; the impact of the global outbreak of novel coronavirus disease (COVID-19); the impact of pharmaceutical industry regulation and health care legislation in the United States and internationally; global trends toward health care cost containment; technological advances, new products and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approval; the company’s ability to accurately predict future market conditions; manufacturing difficulties or delays; financial instability of international economies and sovereign risk; dependence on the effectiveness of the company’s patents and other protections for innovative products; and the exposure to litigation, including patent litigation, and/or regulatory actions.

The company undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise. Additional factors that could cause results to differ materially from those described in the forward-looking statements can be found in the company’s Annual Report on Form 10-K for the year ended December 31, 2022 and the company’s other filings with the Securities and Exchange Commission (SEC) available at the SEC’s Internet site (www.sec.gov).

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